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Singapore

Market Development Reports

RETAIL FOOD SECTOR REPORT

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Report Highlights:

Despite the recent economic crisis, opportunities exist for U.S. food products in Indonesia. The retail sector continues to expand and supermarkets are rapidly becoming the dominant retail outlets. The market is easy to enter with tariffs on alcoholic beverages only. Best prospects include fresh foods, prepared and other convenience foods, wines, frozen products, and healthy foods.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Singapore [SN1], SN

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I. Market Summary

With the second highest per capita income of an Asian country, Singapore presents itself as an attractive yet highly competitive market. In recent years, there has been a major shift from traditional food retailing to modern food outlets such as supermarkets, which are projected to reach 200 in number in the year 2000. Currently, 40-50% of the approximately US\$ 2.7 billion in annual food retail sales take place in supermarkets. For a variety of reasons including cleanliness, variety in products, air conditioning, and a western-style image 83% of Singaporeans now prefer to shop in these facilities.

Convenience shops and wet markets conduct the remaining 50-60% of retail sales, although this number is gradually decreasing due to the increased prominence of supermarkets. Approximately 1,500 convenience shops operate in Singapore, 17% less than the number five years ago. Several companies report a 50% loss of business recently due to increased supermarket sales.

Wet markets, the traditional retail point for fresh produce, has also seen a sizable loss in recent years with a 24% decrease in the number of stalls within the past 13 years. At the present time 101 wet markets with 7,535 stalls are in operation.

As mentioned previously, US\$ 2.7 billion is believed to be spent annually on retailed food products. Members of the industry believe that the economic crisis which began in 1997 has not affected business as "people still need to eat". Some predicted an increase in sales as people are likely to eat out less often and buy goods at supermarkets for home consumption.

Most products enter Singapore free from tariffs or duties. Exceptions include alcohol and tobacco, resulting in prices significantly higher than those throughout the rest of the region. All importers must conform to regulations prescribed in the Singapore Food Act, and imports of meat and poultry products must be accompanied by an export health certificate from the country of origin.

Distribution is changing rapidly, with traditionally fragmented channels becoming somewhat compacted with supermarkets obtaining products directly from the exporter rather than through an importer. Decrease in transport time to the retailer, along with faster shipping technology, makes fresh produce a practical product to export. Improvements are taking place in customer service and store efficiency. Point-of-Purchase technology is currently used in supermarkets for inventory management, and staff is sent overseas or consultants are brought in for training and education. For the consumer, orders can now be placed over phone, fax, and internet with home delivery options available.

Advantages and Challenges Facing U.S. Products in Singapore

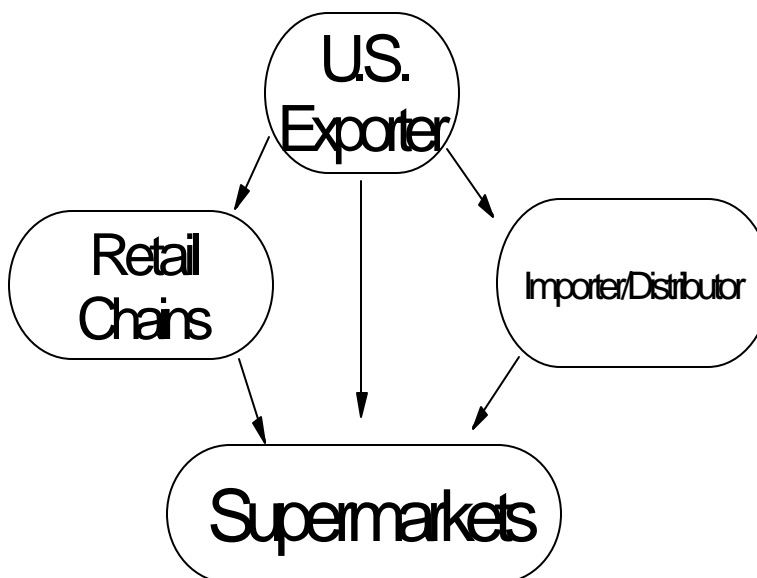
Advantages	Challenges
Singapore is an open market with tariffs on very few products	Strong competition exists especially in dairy, produce, beef, poultry, and wine
Singaporeans are developing a taste for western foods and are willing to try anything once	Consumers may need to be educated in preparing and eating products
Singapore is a gateway for regional markets	Competition is significant from Southeast Asian countries, especially with the development of a new free trade zone (AFTA)
Importers and distributors can help develop heavy brand loyalty	Consumers do not exhibit brand loyalty, and products must constantly be promoted
U.S. is gaining position in the number of companies in the number of branded products represented on supermarket shelves	Singapore's population is not large (however, imports/re-exports service the wide Southeast Asia market)
Younger Singaporeans consider western food, especially from restaurants, a status symbol	Successful product introduction demands heavy investment

II. Road Map for Market Entry

A. Supermarket

Entry Strategy

Success in introducing a product depends on heavy promotion and pursuing a product to the consumer. Market research is key to determining the future success of a given product thus a good distributor, with special emphasis placed on marketing activities, is an invaluable asset. The local representative should be able to provide market knowledge, up-to-date information and guidance on business practices and trade related laws, sales contact and existing and potential buyers, market development expertise, and the distribution system.

Market Structure

- *Traditionally, products were imported by an importer who may also be a distributor.*
- *In past years, retailers were willing primarily to source dry grocery items direct such as snack foods, canned goods, cereals, etc.*
- *Retail chains maintain their own distribution systems, using warehouses to allocate goods to supermarket branches.*
- *Several major supermarkets are now importing fresh produce directly from the foreign exporter/supplier/farmer.*

Major Supermarket Profile

Name of Retailer and Type of Outlet	Ownership (Local or Foreign)	Food Sales CY 97 US\$ million	Number of Outlets	Location	Type of Purchasing Agent
NTUC Fairprice	Local	507	62	HDB estates	Direct, Importers
TOPS	International firm	Not available	13	Nationwide	Direct, Importers
Cold Storage	International firm	Not available (~14-16% of total)	21	Nationwide	Direct, Importers
Shop-N-Save	Local	61	19	Nationwide	Direct, Importers
SOGO	Japanese	Not available (~>5% of total)	3	Nationwide	Direct, Importers
Prime	Local	67	16	Nationwide	Importers

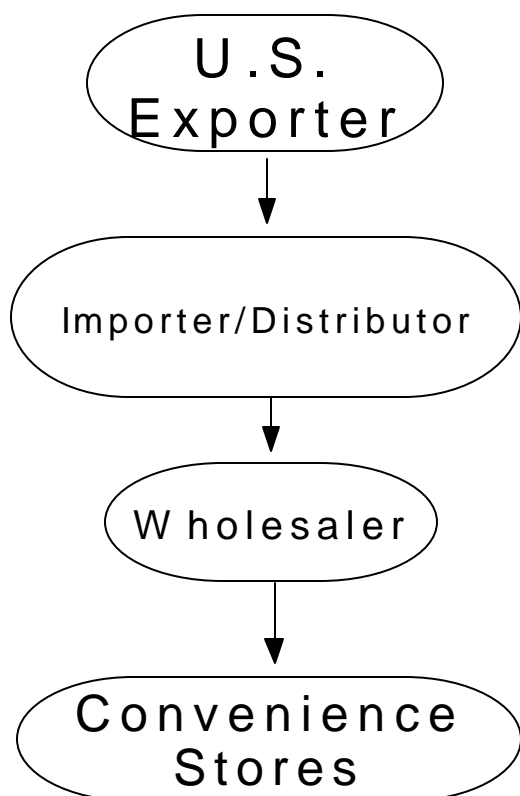
Supermarkets were originally divided into groups catering to specific markets. Retailers such as Kimisawa and Cold Storage catered to middle-upper income clients including the considerably-sized expatriate community. These establishments housed stores downtown and in private residential areas. NTUC and Prime are examples of enterprises dealing with low-middle income consumers retailing in government HDB (Housing Development Board) estates. Recently, the line between the two types of retailing has blurred, with “upmarket” stores extending branches to the newer HDB estates and “mass-market retailers” reaching into the downtown and private residential areas. Many chains also have a portfolio of stores, some of which are targeted at the upmarket segment and others which appeal to the mass market.

B. Convenience Stores

Entry Strategy

As with supermarkets, success in this field depends on heavy promotion and pursuing a product to the consumer. Market research is key to determining the future success of a given product thus a good distributor, with special emphasis placed on marketing activities, is an invaluable asset. The local representative should be able to provide market knowledge, up-to-date information and guidance on business practices and trade related laws, sales contact and existing and potential buyers, market development expertise, and the distribution system.

Market Structure



■ Convenience stores are joining buying associations in order to remain competitive with supermarkets.

■ Buying associations provide buying power, access to technology, and joint advertising.

■ Types of store varies, from small family-run provision shops to gas station kiosks and 7-Eleven.

Major Convenience Type Store Profile

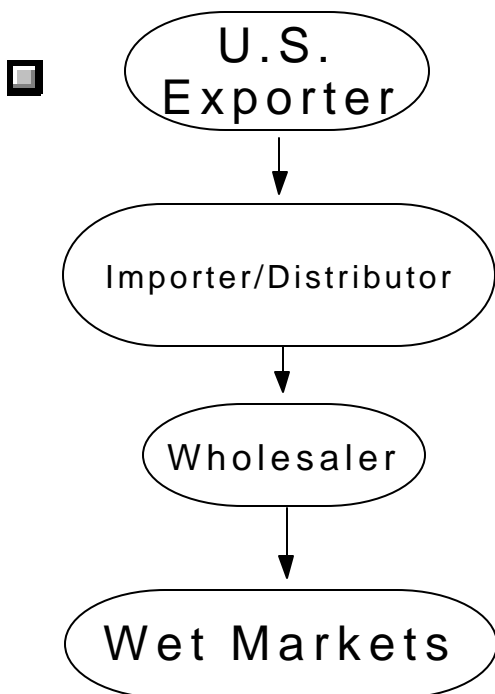
Name of Retailer and Type of Outlet	Ownership (Local or Foreign)	Food Sales CY 97 US\$ million	Number of Outlets	Location	Type of Purchasing Agent
Provision Suppliers/ Econ-MiniMarts	Local	Not Available (10-12% of total)	200	Nationwide	Importers
7-Eleven	International	61	85	Nationwide	Direct, Importers

Although carrying a smaller range of prepared foods than similar U.S. stores, they are just as widely dispersed with 7-Eleven maintaining dominance and operating 24 hours a day. Stores can be found at the bottom of apartment buildings as well as in commercial areas of various sizes. In the smaller family-run provisional shops usually located in the HDB estates, prices are often not marked but instead can be haggled over.

C. Traditional Markets**Entry Strategy**

Products entering the traditional wet markets must be relatively non perishable as the most sought-after quality at these locations is “freshness”. As with supermarkets, success in this field depends on heavy promotion and pursuing a product to the consumer. Market research is key to determining the future success of a given product thus a good distributor, with special emphasis placed on marketing activities, is an invaluable asset. The local representative should be able to provide market knowledge, up-to-date information and guidance on business practices and trade related laws, sales contact and existing and potential buyers, market development expertise, and the distribution system.

Market Structure



Wet markets are traditional markets for fresh produce and some dry grocery items. Many not have refrigeration and stall operators hope they will sell all of their products by mid-day.

■ *Traditionally, products sold through wet markets are believed to be fresher than those sold in supermarkets. Prices have generally been equal to or lower than supermarket prices.*

Traditional Market Profile

Wet markets in Singapore have traditionally been similar to those in most developing countries. Although supermarkets are increasing in market share, these traditional locations still conduct the majority of produce sales. In response to consumer confidence in the freshness of supermarket produce, wet markets have improved food handling procedures and hygiene. Frozen food is now transported in refrigerated containers and trucks instead of simply being packed in ice.

Until recently, importing fresh U.S. produce has been impractical due to lengthy shipping times. Transportation from the United States is becoming more rapid and efficient, with products able to reach Singapore in 16 days from California, compared to 22 days just a few years ago.

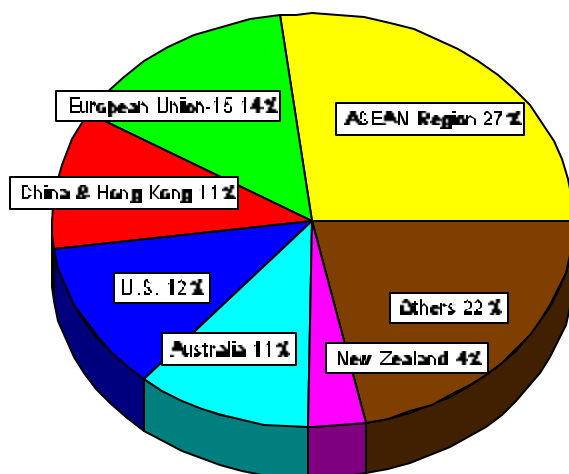
III. Competition

Australia, New Zealand, Canada, Japan, South Africa, Argentina, Chile, and European Union countries are the main competitors to U.S. imports, varying with product. Most staple foods such as rice, meats, vegetables, and seafood are brought in from neighboring countries.

Heavy promotion generates major competition from the Australians, who import wines, fresh produce, high quality beef, and dairy products. New Zealand is significant in the dairy market, and Chile and France are prime contenders in the wine category.

Market promotions by other Western countries such as Australia are similar to USDA organized programs such as in-store promotions, supermarket training, food showcases, and trade missions.

Market Share: Consumer-Oriented 1998



IV. Best Product Prospects

A. Products Present in the Market Which have Good Sales Potential

Among the best sales prospects for U.S. items are fresh foods, prepared and other convenience foods, wines, frozen products, and healthy foods. With the exception of tobacco and alcohol, there are no duties on agricultural products.

B. Products Not Present in Significant Quantities but Which have Good Sales Potential

In recent years Western-style restaurants have increased in number, and exposure to the cuisine has promoted increased awareness and interest in Western food products. Foods that complement wines, such as crackers and cheese, are anticipated to grow in sales along with the wine industry itself. Wheat products, such as healthy breads and value-added noodles, are perceived as a healthy substitute for rice (the staple food of the region).

C. Products Not Present Because They Face Significant Barriers

Upon passing government health regulations, any product may enter the Singapore market. Consumption and importation of alcohol and tobacco products is discouraged somewhat by high tariffs, and Singaporean taste is somewhat different from those of many Americans. Recent studies and trade reports suggest that Singaporeans do not like the cheese and butter sauces associated with some microwave foods and U.S. chocolate tends to be too sweet for local taste buds.

V. Post Contact and Further Information

If you have any questions or comments regarding this report or need assistance exporting to Singapore, please contact the U.S. Agricultural Trade Office in Singapore at the following address:

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Home page: www.atosingapore.org.sg

Please contact our home page for more information on exporting U.S. food products to Singapore, product briefs on the market potential for U.S. food products, and a complete listing of upcoming activities designed to promote your product in Singapore. Importer lists are available from our office to exporters of U.S. food products.

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page: <http://www.fas.usda.gov>.

END OF REPORT

